



William D. Ford Federal Direct Loan Program

Direct PLUS Loans

Plain Language Disclosure

1. General information. You are receiving a Direct PLUS Loan to help you pay the costs of your dependent student's education. This Plain Language Disclosure (Disclosure) summarizes important information about your loan. Please read this Disclosure carefully. In this Disclosure, the words "we," "us," and "our" refer to the U.S. Department of Education. If you have questions about your loan, contact our Direct Loan Servicing Center. The Direct Loan Servicing Center's telephone number and address are shown on correspondence you will receive related to your loan.

You must repay this loan, even if the student is unhappy with the education you paid for with the loan, does not complete his or her education, or cannot find work in his or her area of study. Borrow only the amount you can afford to repay, even if you are eligible to borrow more.

2. Direct PLUS Loan Application and Master Promissory Note (MPN). You are receiving a loan under an MPN that you signed previously. You may receive additional loans under that MPN for up to 10 years if the school the student attends is authorized and chooses to make multiple loans under the same MPN. If the student's school is not authorized or chooses not to make multiple loans under the same MPN, or if you do not want to receive more than one loan under the same MPN, you must sign a new MPN for each loan. If you do not want to receive more than one loan under the same MPN, you must notify the student's school or the Direct Loan Servicing Center in writing.

3. Loan terms and conditions. This Disclosure summarizes information about your loan. Please refer to your MPN and the Borrower's Rights and Responsibilities Statement that you received previously for the complete terms and conditions of your loan. If you need another copy of the Borrower's Rights and Responsibilities Statement, contact the Direct Loan Servicing Center. Unless we tell you otherwise in this Disclosure, your MPN and the Borrower's Rights and Responsibilities Statement control the terms and conditions of your loan. Loans made under your MPN are subject to the Higher Education Act of 1965, as amended, and federal regulations. Any changes to the law or regulations govern the terms of any loans disbursed on or after the effective date of the changes.

4. Use of loan money. You may use your loan money only to pay for the student's educational expenses (for example, tuition, room, board, books) at the school that determined you were eligible to receive the loan.

5. Information you must report. While the student is still in school, you must notify the student's school if:

- You change your address or telephone number;
- You change your name (for example, maiden name to married name);
- The student does not enroll at least half-time for the loan period certified by the school, or does not enroll at the school that certified your eligibility for the loan;
- The student stops attending school or drops below half-time enrollment; or
- The student graduates or transfers to another school.

You must also notify the Direct Loan Servicing Center of any of the above changes at any time after you receive your loan. In addition, you must notify the Direct Loan Servicing Center if you:

- Change employers, or if your employer's address or phone number changes; or
- Have any other change in status that affects your loan (for example, if you received a deferment but no longer meet the eligibility requirements for that deferment).

6. Amount you may borrow. For each academic year, you may borrow up to – but not more than – the student's estimated cost of attendance minus the amount of any other financial aid the student receives for that academic year. The student's school determines the cost of attendance using federal guidelines.

7. Interest. The interest rate on your loan is a variable rate that is adjusted each year on July 1. As a result, your interest rate may change annually, but it will never be more than 9%. We will notify you annually of the actual interest rate for each loan that you receive.

We charge interest on your Direct PLUS Loan from the date the loan is first disbursed until it is repaid in full, including during periods of deferment or forbearance. If you do not pay the interest as it is charged during deferment or forbearance, we will add it to the unpaid amount of your loan. This is called capitalization. Capitalization increases the unpaid amount of your loan, and we will then charge interest on the increased amount.

8. Loan fee. We charge a loan fee of 4 percent of the principal amount of the loan. This fee will be subtracted proportionately from each disbursement of your loan, and will be shown on a disclosure statement that we send to you.

9. Repayment incentive programs. A repayment incentive is a benefit that we offer to encourage you to repay your loan on time. Under a repayment incentive program, the interest rate we charge on your loan may be reduced. Some repayment incentive programs require you to make a certain number of payments on time to keep the reduced interest rate. The following repayment incentive programs may be available to you: *Interest Rate Reduction for Electronic Debit Account Repayment* and *Up-Front Interest Rebate*. These repayment incentive programs are described in the Borrower's Rights and Responsibilities Statement. The Direct Loan Servicing Center can provide you with more information on other repayment incentive programs that may be available.

10. Disbursement of loan money. Generally, the student's school will disburse (pay out) your loan money in more than one installment, usually at the beginning of each academic term (for example, at the beginning of each semester or quarter). If the school does not use academic terms, it will generally disburse your loan in at least two installments, one at the beginning of the student's period of study for which you are receiving the loan, and one at the midpoint of that period of study. The school may disburse some or all of your loan money by crediting it to the student's account at the school, or may give it to you directly by check or other means. The Direct Loan Servicing Center will notify you each time the school disburses a portion of your loan.

11. Canceling your loan. Before your loan money is disbursed, you may cancel all or part of your loan at any time by notifying the student's school. After your loan money is disbursed, there are two ways to cancel all or part of your loan:

- Within 14 days after the date your school notifies you that it has credited loan money to the student's account at the school, or by the first day of the school's payment period, whichever is later (the school can tell you the first day of the payment period), you may tell the school that you want to cancel all or part of the loan money that was credited to the student's account. The school will return the cancelled loan amount to us. You do not have to pay interest or the loan fee on the part of your loan that you tell the

school to cancel within this timeframe. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you tell the school to cancel. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that was cancelled.

If you ask the school to cancel all or part of your loan outside the timeframe described above, the school may process your cancellation request, but it is not required to do so.

- Within 120 days of the date the school disbursed your loan money (by crediting the loan money to the student's account at the school, by paying it directly to you, or both), you may return all or part of your loan to us. Contact the Direct Loan Servicing Center for guidance on how and where to return your loan money. You do not have to pay interest or the loan fee on the part of your loan that you return within 120 days of the date that part of your loan is disbursed. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you return. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that you return.

12. Repaying your loan. The repayment period for each Direct PLUS Loan you receive under the MPN begins on the date of the final disbursement of that loan. This means that the repayment period for each loan will begin on a different date. Your first payment on each loan will be due within 60 days of the final disbursement of that loan. The amount of time you have to repay your loan will vary from 10 to 30 years, depending on the repayment plan that you choose and the total amount you have borrowed. You may choose one of the following repayment plans:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan

These plans are designed to give you flexibility in meeting your obligation to repay your loan. The Borrower's Rights and Responsibilities Statement that you received previously explains each repayment plan. You may change repayment plans at any time after you have begun repaying your loan. You may make loan payments before they are due, or pay more than the amount due each month, without penalty. When you have fully repaid a loan, the Direct Loan Servicing Center will send you a letter telling you that you have paid off your loan. You should keep this letter in a safe place.

13. Late charges and collection costs. We may require you to pay a late charge if you do not make any part of a payment within 30 days after it is due. We may also require you to pay other charges and fees involved in collecting your loan.

14. Demand for immediate repayment. The entire unpaid amount of your loan becomes due and payable (on your MPN this is called "acceleration") if you:

- Receive loan money, but the student does not enroll at least half-time at the school that certified your eligibility for the loan;
- Use your loan money to pay for anything other than expenses related to the student's education at the school that certified your eligibility for the loan;
- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

15. Default. You are in default on your loan if you:

- Do not repay the entire unpaid amount of your loan if we require you to do so;
- Have not made a payment on your loan for at least 270 days; or
- Do not comply with other terms and conditions of your loan, and we conclude that you no longer intend to honor your obligation to repay your loan.

If you default on your loan, we will report that fact to national credit bureaus. We may sue you, take all or part of your federal tax refund or

other federal payments, and/or garnish your wages so that your employer is required to send us part of your salary to pay off your loan. We will require you to pay reasonable collection fees and costs, plus court costs and attorney fees. You will lose eligibility for other federal student aid and assistance under most federal benefit programs. You will lose eligibility for loan deferments.

16. Credit bureau notification. We will report information about your loan to one or more national credit bureaus. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments).

17. Deferment and forbearance (postponing payments).

If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. For example, you may receive a deferment for up to 3 years while you are unemployed. For a complete list of deferments, refer to the Borrower's Rights and Responsibilities Statement that you received previously. You are responsible for paying the interest on a Direct PLUS Loan during a period of deferment.

If you cannot make your scheduled loan payments but do not qualify for a deferment, we may give you a **forbearance**. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. For example, we may give you a forbearance if you are temporarily unable to make scheduled loan payments because of financial hardship or illness. We may also give you a forbearance under other conditions as described in the Borrower's Rights and Responsibilities Statement that you received previously. You are responsible for paying the interest on a Direct PLUS Loan during a period of forbearance.

To request a deferment or forbearance, contact the Direct Loan Servicing Center.

18. Discharge (having your loan forgiven). We may discharge (forgive) all or part of your loan if:

- You die, or the student for whom you borrowed dies, and we receive an original or certified copy of a death certificate for you or the student;
- You are totally and permanently disabled, and you meet certain other requirements during a 3-year conditional discharge period;
- Your loan is discharged in bankruptcy;
- The student for whom you obtained the loan was unable to complete his or her program of study because the school closed;
- The school falsely certified the eligibility of the student for whom you obtained the loan; or
- The school did not pay a refund of your loan money that it was required to pay under federal regulations.

To request a loan discharge, contact the Direct Loan Servicing Center.

In some cases, you may assert, as a defense against collection of your loan, that your school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if what your school did or did not do would give rise to a legal cause of action under applicable state law. If you believe that you have a defense against repayment of your loan, contact the Direct Loan Servicing Center.

19. Loan consolidation. You may consolidate (combine) one or more of your eligible federal education loans into one loan. Consolidation allows you to extend the period of time that you have to repay your loans, and to combine several loan debts into a single monthly payment. This may make it easier for you to repay your loans. However, you will pay more interest if you extend your repayment period through consolidation, since you will be making payments for a longer period of time. Contact the Direct Loan Servicing Center for more information about loan consolidation.